Notes to the Financial Statements

For the Fiscal Years Ended September 30, 2012 and 2011

GSA was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended. Congress enacted this legislation to provide for the federal government an economic and efficient system for the procurement and operation of buildings, procurement and distribution of general supplies, acquisition and management of a motor vehicle fleet, management of automated data processing resources, and management of telecommunications programs.

The Administrator of General Services, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GSA. GSA carries out its responsibilities through the operation of several appropriated and revolving funds.

1. SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

For its principal financial statements, GSA uses consolidating and combining formats to display its two largest components: the Federal Buildings Fund (FBF) and the Acquisition Services Fund (ASF). All other funds have been combined under Other Funds.

The FBF is the primary fund used to record activities of the Public Buildings Service (PBS). The ASF is the primary fund used to record activities of the Federal Acquisition Service (FAS).

GSA's accompanying financial statements include the accounts of all funds, which have been established and maintained to account for resources under the control of GSA management. The entities included in the Other Funds category are described below, together with a discussion of the different fund types.

Revolving Funds are accounts established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress. The Revolving Funds in the Other Funds category consist of the following:

- Federal Citizen Services Fund (FCSF)
- Working Capital Fund (WCF)

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. GSA manages 18 General Fund accounts of which four are funded by current year appropriations, two by no-year appropriations, three by multi-year appropriations, two cannot incur new obligations, and five budget clearing accounts that temporarily hold collections until a more appropriate fund can be determined. The General Funds included in the Other Funds category are as follows:

- Allowances and Office Staff for Former Presidents
- Budget Clearing Account Broker Rebates
- Budget Clearing Account Proceeds of Sales, Personal Property
- Budget Clearing Account Real Property
- Budget Clearing Account Suspense
- Budget Clearing Account Undistributed Intragovernmental Payments
- Energy-Efficient Federal Motor Vehicle Fleet Procurement – Recovery Act
- Excess and Surplus Real and Related Personal Property Holding Account
- Expenses, Electronic Government Fund
- Expenses, Presidential Transition
- Government-Wide Policy Multi-Year
- Government-Wide Policy Recovery Act
- Integrated, Efficient and Effective Uses of Information Technology (EOP)
- Office of Inspector General (OIG)
- Office of Inspector General Recovery Act
- Operating Expenses, GSA
- Operating Expenses, Government-Wide Policy
- Real Property Relocation

Special Funds are accounts established for receipts earmarked by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. In accordance with Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*, these Special Funds are classified as earmarked funds. Although immaterial, earmarked fund balances are displayed in Note 2-B. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property, for funding of the Transportation Audits program, and to fund the

Acquisition Workforce Training program. GSA's Special Funds consist of the following:

- Expenses, Disposal of Real and Related Personal Property
- Expenses, Transportation Audits
- Expenses, Acquisition Workforce Training Fund
- Operating Expenses, Disposal of Real and Related Personal Property
- Other Receipts, Surplus Real and Related Personal Property
- Receipts of Rent, Leases and Lease Payments for Government-Owned Real Property
- Receipts, Transportation Audits
- Receipts, Acquisition Workforce Training Fund
- Transfer of Surplus Real and Related Personal Property

Miscellaneous Receipt and Deposit Fund accounts are considered non-entity funds since GSA management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of GSA where, by law, such monies may not be deposited into funds under GSA management control. The U.S. Department of the Treasury (U.S. Treasury) automatically transfers all cash balances in these receipt accounts to the General Fund of the U.S. Treasury at the end of each fiscal year. Deposit Fund accounts hold monies outside the budget. Accordingly, their transactions do not affect budget surplus or deficit. These accounts include (1) deposits received for which GSA is acting as an agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods and services received and (4) monies whose distribution awaits a legal determination or investigation. The receipt and deposit funds in the Other Funds category consist of the following:

- Advances Without Orders from Non-federal Sources
- Employees' Payroll Allotment Account, U.S. Savings Bonds
- Fines, Penalties, and Forfeitures, Not Otherwise
- Forfeitures of Unclaimed Money and Property
- General Fund Proprietary Interest, Not Otherwise Classified

- General Fund Proprietary Receipts, Not Otherwise Classified, All Other
- Proceeds from Sale of Surplus Property
- Reserve for Purchase Contract Projects
- Small Escrow Amounts
- Special and Trust Fund Proprietary Receipts Returned to the General Fund of the U.S. Treasury
- Unconditional Gifts of Real, Personal or Other Property
- Withheld State and Local Taxes

In the FBF, Electronic Government Fund, and Real Property Relocation Fund, GSA has delegated certain program and financial operations of a portion of these funds to other federal agencies to execute on GSA's behalf. Unique sub-accounts, also known as allocation accounts (child), of GSA funds (parent) are created in the U.S. Treasury to provide for the reporting of obligations and outlays incurred by such other agencies. Generally, all child allocation account financial activity is reportable in combination with the results of the parent fund, from which the underlying legislative authority, appropriations and budget apportionments are derived. For FY 2012, GSA has allocation accounts in this regard with the Departments of Treasury and Commerce. In FY 2011, GSA also held an allocation account with the Department of Homeland Security, in addition to the federal entities mentioned for FY 2012.

During FY 2012, GSA received an allocation transfer from OMB, where GSA (child), is executing certain activities of the Integrated, Efficient and Effective Uses of Information Technology Fund on behalf of the Executive Office of the President (EOP). In accordance with Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, agencies that receive allocation transfers from the EOP are to include such balances in their financial statements.

B. Basis of Accounting

The principal financial statements are prepared from the books and records of GSA, in accordance with generally accepted accounting principles (GAAP) as promulgated by FASAB, and OMB Circular A-136, in all material respects. FASAB SFFAS No. 34, The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Federal Accounting Standards Board, established the hierarchy of GAAP for federal financial statements. The Consolidating Statements of Net Cost present the operating results of the FBF, ASF and Other Funds, as well as GSA Consolidated operating results as a whole. The Consolidating Balance Sheets present the financial position of GSA using a format segregating intragovernmental balances. The Consolidating Statements of Changes in Net Position display the changes in equity accounts. The Combining Statements of Budgetary Resources (CSBR) present the sources, status and uses of GSA budgetary resources.

GSA reconciles all intragovernmental fiduciary transaction activity and works with agency partners to reduce significant or material differences reported by other agencies in conformance with Treasury intragovernmental reporting guidelines and requirements of OMB Circular A-136.

Certain prior-year balances have been reclassified to conform to the current year presentation.

On the Consolidating Statements of Net Cost, Consolidating Balance Sheets and Consolidating Statements of Changes in Net Position, all significant intra-agency balances and transactions have been eliminated in consolidation. No such eliminations have been made on the CSBR. Certain amounts of expenses eliminated on the Consolidating Statements of Net Cost are imputed costs for which the matching resource is not revenue on this statement, but imputed resources provided by others, displayed on the Consolidating Statements of Changes in Net Position. Accordingly, on the Consolidating Statements of Net Cost the revenue and expense eliminations do not match. The Consolidating Statements of Changes in Net Position display the offsetting balances between these categories.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Operating expenses and

related accounts payable accruals and estimates are recorded in the period goods or services are received.

C. Revenue Recognition and Appropriations Used

Substantially all revenues reported by GSA funds on the Consolidating Statements of Net Cost are generated from intragovernmental sales of goods and services, with only two percent of revenues earned from nonfederal customers. Expenses are primarily incurred with non-federal entities supplying the underlying goods and services being provided to GSA federal customers, with only one percent of operating expenses resulting from purchases from other federal agencies. Each fund has established rate-setting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that GSA funds will pay to provide such goods and services and to provide capital maintenance. In accordance with the governing laws, rates are generally not designed to recover imputed costs not borne by GSA, but covered by other funds or entities of the U.S. government, such as for post-employment and other inter-entity costs. As the amount of services provided to non-federal customers is generally very insignificant, maintaining separate rate structures for these customers to recover imputed costs is not warranted.

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered.

• In the FBF, rent revenues are earned based on occupancy agreements with customers, as space and services are provided. Generally, agencies housed in government-owned buildings are billed based upon commercial rates for comparable space. Agencies housed in buildings leased by GSA are generally billed at rates to recover the cost of that space. In some instances, special rates are arranged in accordance with congressional guidance or other authorized purposes. Most agencies using funding from Trust Funds have rent rates set to recover full cost. Revenue under nonrecurring reimbursable building repairs and alterations (R&A) projects is recognized under the percentage-of-completion method. For these reimbursable projects, GSA charges customers only actual cost, and makes no profit. As a result, revenues are generally earned to match costs incurred.

- In the ASF, General Supplies and Services revenues are recognized when goods are provided to customers. In the Travel, Motor Vehicle, and Card Services portfolio, vehicle acquisition revenues are recognized when goods are provided. Vehicle leasing revenues are recognized based on rental arrangements over the period vehicles are dispatched. Assisted Acquisition Services revenues are recognized when goods or services are provided, and fee revenues in the GSA Schedules programs are earned based on estimated and actual usage of GSA contracting vehicles by other agencies. The Schedules programs generated \$299 million in fees, constituting three percent of ASF revenues in FY 2012, and \$302 million, three percent of ASF revenues, in FY 2011. Integrated Technology Services revenues are earned when goods or services are provided or as reimbursable project costs are incurred. Telecommunications service revenues are generally recognized based on customer usage or on fixed line rates.
- In the WCF, revenues are generally recognized when general management and administrative services are provided to the service components of GSA and to external customers. Such WCF revenues are earned in accordance with agreements that recover the direct cost and an allocation of indirect costs from the components of GSA receiving those services.

Non-Exchange Revenues are recognized on an accrual basis on the Consolidating Statements of Changes in Net Position for sales of surplus real property, reimbursements due from the audit of payments to transportation carriers, and other miscellaneous items resulting from GSA operations where ultimate collections must be deposited in miscellaneous receipt accounts of the U.S. Treasury. Non-Exchange Revenues are reported net of associated bad debt expense on uncollectible accounts.

Appropriations for General Fund and Special Fund activities are recorded as a financing source on the Consolidating Statements of Changes in Net Position when expended. Unexpended appropriations are

reported as an element of Net Position on the Consolidating Balance Sheets.

D. Fund Balance with Treasury

This total represents all unexpended balances for GSA accounts with the U.S. Treasury. Amounts in Fund Balance with Treasury are based on the balances reported on the books of the U.S. Treasury, as the official record of the federal government. Adjustments are only made to those amounts when significant differences are identified.

GSA acts as a disposal agent for surplus federal real and personal property. In some cases, public law entitles the owning agency to the sales proceeds, net of disposal expenses incurred by GSA. Proceeds from the disposal of equipment are generally retained by GSA to replace equipment. Under GSA legislative authorities, the gross proceeds from some sales are deposited in GSA Special Fund receipt accounts and recorded as Non-Exchange Revenues in the Consolidating Statements of Changes in Net Position. A portion of these proceeds is subsequently transferred to a Special Fund to finance expenses incurred in disposing of surplus property. The remainder is periodically accumulated and transferred, by law, to the Land and Water Conservation Fund administered by the U.S. Department of the Interior (DOI).

E. Inventories

Inventories held for sale to other federal agencies consist primarily of ASF inventories valued at historical cost, generally determined on a moving average basis. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan. In the ASF, an inconsequential amount of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another federal agency, sold, or donated to state or local governments.

F. Property and Equipment (See Note 6)

Generally, property and equipment purchases and additions of \$10,000 or more, and having a useful life of two or more years, are capitalized and valued at cost. Property and equipment transferred to GSA from other federal agencies on the date GSA was established is stated at the transfer value, which approximates historical cost. Subsequent thereto, equipment transferred to GSA is stated at net book value, and surplus real and related personal property transferred to GSA is stated at the lower of net book value or appraised value.

Expenditures for major additions, replacements and alterations to real property of \$50,000 or more are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of R&A and leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA financial statements as such amounts are transferred to the other agencies upon completion of the project. The majority of all land, buildings and leasehold improvements are leased to other federal agencies under short-term cancellable agreements.

Depreciation and amortization of property and equipment are calculated on a straight-line basis over their initial or remaining useful lives. Leasehold Improvements are amortized over the lesser of their useful lives, generally five years, or the unexpired lease term. Buildings capitalized by the FBF at its inception in 1974 were assigned remaining useful lives of 30 years. It is GSA policy to capitalize construction costs in the Land and Buildings accounts upon project completion. Buildings acquired under capital lease agreements are also depreciated over 30 years. Major and minor building renovation projects carry estimated useful lives of 20 years and 10 years, respectively.

Telecommunications and Automated Data Processing (ADP) Equipment are used in operations to perform services for other federal agencies for which billings

are rendered. Most of the assets comprising Other Equipment are used internally by GSA. Telecommunications and ADP Equipment, and Other Equipment categories are depreciated over periods generally ranging from three to 10 years.

GSA maintains a fleet of Motor Vehicles for rental to other federal agencies to meet their operational needs, with monthly billings rendered to recover program costs. The various vehicle types are depreciated over a general range of four to 12 years.

In accordance with FASAB SFFAS No. 10, Accounting for Internal Use Software, capitalization of software development costs incurred for systems having a useful life of two years or more is required. With implementation of this standard, GSA adopted minimum dollar thresholds per system that would be required before capitalization would be warranted. For the FBF, this minimum threshold is \$1 million. For all other funds, it is \$250,000. Once completed, software applications are depreciated over an estimated useful life determined on a case-by-case basis, ranging from three to 10 years. Capitalized software is reported as an element of Other Equipment on the Consolidating Balance Sheets.

G. Annual, Sick and Other Types of Leave

Annual leave liability is accrued as it is earned and the accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Sick leave and other types of nonvested leave are expensed as taken.

2. FUND BALANCE WITH TREASURY

A. Reconciliation to U.S. Treasury

There were no differences between amounts reported by GSA and those reported to the U.S. Treasury as of September 30, 2012 and 2011.

B. Balances by Fund Type

The most significant amounts for GSA in Fund Balance with Treasury are in the FBF and ASF revolving funds. Within the Other Funds category, Special Receipt, and Special and Trust Expenditure Funds are classified as earmarked funds in accordance with FASAB SFFAS No. 27. The fund balances in the Other Funds category contains amounts in the following fund types (dollars in millions):

	2012	2011
Revolving Funds	\$ 271	\$ 275
Appropriated and General Funds	109	113
Clearing Funds	15	13
Special Receipt Funds	136	126
Special and Trust Expenditure Funds	41	38
Deposit Funds	32	42
Total Other Funds	\$ 604	\$ 607

C. Relationship to the Budget

In accordance with FASAB SFFAS No. 1, Accounting for Selected Assets and Liabilities, the following information is provided to further identify amounts in Fund Balance with Treasury as of September 30, 2012 and 2011, against which obligations have been made, and for unobligated balances, to identify amounts available for future expenditures and those only available to liquidate prior obligations. In the FBF, amounts of Fund Balance with Treasury shown below as Unobligated Balance - Unavailable include a combination of the amounts reported on the CSBR as Resources Temporarily Unavailable and Unobligated Balance - Not Available. Also, in two instances, the portion of Fund Balance with Treasury presented below as unobligated balances will not equal related amounts reported on the CSBR. In the FBF, the CSBR unobligated balances include resources associated with borrowing authority for which actual funds have not yet been realized (see Note 7). In the Other Funds group, the schedule below includes amounts displayed as unavailable unobligated balances for the Fund Balance with Treasury held in Special Receipt, Clearing, and Deposit Funds, shown above in Note 2-B, which are not reportable for purposes of the CSBR. The following schedule presents elements of the Fund Balance with Treasury (dollars in millions):

	Ba	ligated lance, Net	Unobligated Balance Available Unavailable					Total .
2012		NCC	AV	allabic	Ona	valiable		otai
FBF	¢	(157)	\$	4,653	\$	3,317	\$	7,813
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ASF		(804)		1,850		49		1,095
Other Funds		198		79		327		604
Total	\$	(763)	\$	6,582	\$	3,693	\$	9,512

2011				
FBF	\$ 1,997	\$ 4,652	\$ 2,802	\$ 9,451
ASF	(558)	1,758	24	1,224
Other Funds	193	105	309	607
Total	\$ 1,632	\$ 6,515	\$ 3,135	\$ 11,282

D. Availability of Funds

In GSA's earmarked Special Receipt Funds, included in balances of Fund Balance with Treasury, are certain amounts that may be transferred to either the U.S. Treasury, or the Land and Water Conservation Fund (see Note 1-D). These amounts, related to the Transportation Audits program, Acquisition Workforce Training program and surplus real property disposals, are subject to transfer upon GSA's determination of the internal working capital needs of these programs. The Fund Balance with Treasury in these funds totaled \$136 million and \$126 million at September 30, 2012 and 2011, respectively, of which \$49 million and \$50 million, respectively, were recorded as liabilities in the Consolidating Balance Sheets.

In FYs 2012 and 2011, \$1.0 million and \$0.4 million, respectively, of unused funds from expired appropriations were returned to the U.S. Treasury as of September 30. Such balances are excluded from the amount reported as Fund Balance with Treasury in accordance with U.S. Treasury guidelines.

A portion of Fund Balance with Treasury also includes amounts where authority to incur new obligations has expired, but the funds are available to liquidate residual obligations that originated when the funds were available. Such expired balances totaled \$71 million and \$19 million at September 30, 2012 and 2011, respectively.

The FBF has balances that are temporarily not available in accordance with annual appropriation acts that limit the amount of reimbursable resources that are available for spending each year. Such amounts totaled \$3,280 million and \$2,239 million at September 30, 2012 and 2011, respectively, and will not be available for expenditure except as authorized in future appropriation acts.

Under ASF legislative authorities, GSA is allowed to retain earnings to ensure the fund has sufficient resources to support operations in association with a cost and capital planning process as approved by the Administrator of GSA. At the end of FY 2012 and

2011, management determined that all earnings will be retained in accordance with this process.

3. NON-ENTITY ASSETS

As of September 30, 2012 and 2011, certain amounts reported on the Consolidating Balance Sheets are elements of Budget Clearing, Deposit, and Miscellaneous Receipt Funds, which are not available to management for use in ongoing operations and are classified as Non-entity assets (see Note 1-A). The only substantial balances of non-entity assets were Fund Balance with Treasury, which totaled \$47 million and \$56 million, respectively.

4. ACCOUNTS AND NOTES RECEIVABLE, NET

Substantially all accounts receivable are from other federal agencies, with only six percent due from non-federal customers. Unbilled accounts receivable result from the delivery of goods, or performance of services for which bills have not yet been rendered. Allowances for doubtful accounts are recorded using aging methodologies based on analysis of historical collections and write-offs.

In addition to accounts receivable balances displayed below, GSA has an inconsequential balance of notes receivable, net of allowances for doubtful accounts. The most significant of these notes receivable balances is an \$8 million note in the Federal Buildings Fund that has been deemed uncollectible. In accordance with FASAB SFFAS No. 1, GSA does not recognize interest receivable or allowance related to notes deemed uncollectible. As of September 30, 2012 and 2011, accumulated interest on this note totaled \$97 million and \$85 million, respectively.

A summary of Accounts Receivable as of September 30, 2012 and 2011, is as follows (dollars in millions):

	FB	s F	AS	iF.		OTH FUN				LE: NTRA	-GS		GS CONSOL TOT	IDATED
	2012	2011	2012	2011	201	12	201	1	20	12	20	11	2012	2011
Accounts Receivable - Billed	\$ 241	\$ 199	\$ 135	\$ 136	\$	17	\$	26	\$	-	\$	-	\$ 393	\$ 361
Accounts Receivable - Unbilled	392	412	1,323	1,450		8		3		19		25	1,704	1,840
Allowance for Doubtful Accounts	(37)	(32)	(10)	(7)		-		-		-		-	(47)	(39)
Total Accounts Receivable, Net	\$ 596	\$ 579	\$ 1,448	\$1,579	\$	25	\$	29	\$	19	\$	25	\$2,050	\$2,162

5. OTHER ASSETS

As of September 30, 2012 and 2011, Other Assets were comprised of the following balances (dollars in millions):

		FE	3F			AS	S F			OTH FUN			со	GS NSOL TOT	IDAT	ED
	20	12	20	011	20	12	20	11	201	L2	20:	l1	20	12	20:	11
Investments in Capital Leases	\$	57	\$	61	\$	-	\$	-	\$	-	\$	-	\$	57	\$	61
Surplus Property Held for Sale		6		4		57		49		1		-		64		53
Unamortized Deferred Charges and Prepayments		55		34		-		-		-		-		55		34
Artworks		6		5		-		-		-		-		6		5
Miscellaneous		5		5		-		-		-		-		5		5
Total Other Assets	\$	129	\$	109	\$	57	\$	49	\$	1	\$	-	\$	187	\$.	158

6. PROPERTY AND EQUIPMENT, NET

A. Summary of Balances

Balances in GSA Property and Equipment accounts subject to depreciation as of September 30, 2012 and 2011, are summarized below (dollars in millions):

	2012									2011		
		Cost	Accumulated Depreciation		Net Book Value		Cost		Accumulated Depreciation		Вос	Net ok Value
Buildings	\$	37,142	\$	19,073	\$	18,069	\$	34,046	\$	17,752	\$	16,294
Leasehold Improvements		333		221		112		349		230		119
Telecom and ADP Equipment		85		85		-		89		89		-
Motor Vehicles		4,868		1,694		3,174		4,731		1,603		3,128
Other Equipment		625		441		184		535		380		155
Total Property and Equipment	\$	43,053	\$	21,514	\$	21,539	\$	39,750	\$	20,054	\$	19,696

B. Cleanup Costs

In the FBF, certain properties contain environmental hazards that will ultimately need to be removed and/or require containment mechanisms to prevent health risks to the public. Cleanup of such hazards is governed by various federal and state laws. The laws most applicable to GSA are the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) of 1980, the Clean Air Act, and the Resource Conservation and Recovery Act.

In accordance with FASAB SFFAS No. 5 and 6, Accounting for Liabilities of the Federal Government

and Accounting for Property, Plant, and Equipment, respectively, and interpretive guidance in Federal Financial Accounting and Auditing Technical Release No. 2, Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government, issued by the FASAB Accounting and Auditing Policy Committee, if an agency is required by law to clean up such hazard, the estimated amount of cleanup cost must be reported in the financial statements.

Accordingly, GSA recognized liabilities totaling \$119 million and \$112 million for Environmental and Disposals costs in FYs 2012 and 2011, respectively,

for properties currently in GSA's property inventory. In almost all cases, liabilities are associated with cleanup efforts required by CERCLA. In instances where no reasonable estimate of the cost to clean up a particular site could be made, GSA recognized the estimated costs for related environmental studies as is prescribed in the guidance noted above. Management has estimated an additional \$15 million and \$14 million as of September 30, 2012, and 2011, respectively, of potential cleanup costs where it is only possible that GSA could incur additional costs. In some instances, GSA has been named as a party in certain environmental cases where the subject property is no longer in the GSA or federal property inventory. GSA's liability for such cases is further discussed in Note 11.

C. Heritage Assets

The average age of GSA buildings is over 48 years old, and therefore, many buildings have historical, cultural and/or architectural significance. While GSA uses these buildings to meet the office space and other needs of the federal government, maintaining and preserving these historical elements is a significant priority. In accordance with FASAB SFFAS No. 29, Heritage Assets and Stewardship Land, these buildings meet the definition of Multi-use Heritage Assets, and are reportable within Property and Equipment on the Consolidating Balance Sheets.

GSA defines its Historic Buildings as those buildings that are either listed on the National Register of Historic Places, have formally been determined eligible, or appear to meet eligibility criteria to be listed. GSA has 305 buildings on the National Register, up from 302 at the end of FY 2011, of which 73 are designated as National Historical Landmarks. An additional 159 buildings are potentially eligible for listing on the National Register, but have not gone through the formal determination process. Under the National Historic Preservation Act, GSA is required to give these buildings special consideration, including first preference for federal use and rehabilitation in accordance with standards established by the DOI.

7. INTRAGOVERNMENTAL DEBT

A. Lease Purchase Debt

Starting in FY 1991, GSA entered into several agreements to fund the purchase of land and construction of buildings under the FBF lease purchase borrowing authority. Under these agreements, the FBF borrows monies (as advance payments) through the Federal Financing Bank (FFB) or executes lease-to-own contracts to finance the lease purchases. Mortgage loans and construction advances held by the FFB are due at various dates from June 28, 2021, through August 1, 2035, at interest rates ranging from 2.005 percent to 8.561 percent. The program authorizes total expenditures of \$1,945 million for 11 projects. In FYs 2012 and 2011, the FFB made advance payments on behalf of GSA totaling \$2 million and \$1 million, respectively. As of September 30, 2012 and 2011, \$27 million and \$29 million, respectively, of borrowing authority under the lease purchase program remained available for additional advance payments.

B. Pennsylvania Avenue Debt

The former Pennsylvania Avenue Development Corporation (PADC) originally received authority to borrow from the FFB to finance construction of the Ronald Reagan Building (RRB) in Washington, D.C., with a project budget of \$738 million. Effective March 31, 1996, the PADC was dissolved, with portions of its functions, assets and liabilities being transferred to GSA, including the RRB.

Subsequent legislation consolidated GSA's portion of these assets and liabilities into the FBF, in which the cost and associated debt for the RRB is now recorded. Mortgage loans for the RRB are due November 2, 2026, at interest rates ranging from 4.004 percent to 8.323 percent.

No additional amounts are anticipated to be borrowed under this authority.

C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements in the FBF at September 30, 2012, and 2011, were as follows (dollars in millions):

	2012	2011
Lease Purchase Debt	\$ 1,235	\$ 1,291
Pennsylvania Avenue Debt	 584	607
Total GSA Debt	\$ 1,819	\$ 1,898

Resources to retire debt are obtained from annual revenues generated by the FBF. Aggregate debt maturities at the end of FY 2012 are as follows (dollars in millions):

AGGREGATE DEBT MATURITIES										
FISCAL YEAR	LE PUR D	AVE EBT	TOTAL							
2013	\$	62	\$	25	\$	87				
2014		66		26		92				
2015		71		28		99				
2016		75		30		105				
2017		81		32		113				
2018 and thereafter		880		443	1	,323				
Total future aggregate debt maturities	\$	1,235	\$	584	\$1	,819				

8. WORKERS' COMPENSATION BENEFITS

The Federal Employees' Compensation Act (FECA) provides wage replacement and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the federal agencies employing the claimants. DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' wage replacement, and medical and miscellaneous costs for approved compensation cases. The present value of these estimates at the end of FY 2012 was calculated by DOL using a discount rate of 2.293 percent for FY 2012, and 3.138 percent

for FY 2013 and thereafter. At the end of FY 2011, the discount rate used was 3.535 percent for FY 2011, and 4.025 percent for FY 2012 and thereafter. At September 30, 2012 and 2011, GSA's actuarial liability totaled \$133 million and \$132 million, respectively.

9. LEASING ARRANGEMENTS

As of September 30, 2012, GSA was committed to various non-cancellable operating leases primarily covering administrative office space and storage facilities maintained by the FBF. Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options. GSA also uses a small volume of operating leases of vehicles in the ASF to fill demand when sufficient owned vehicles are not available. The following are schedules of future minimum rental payments required under leases that have initial or remaining non-cancellable terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (dollars in millions):

OPERATING LEASES	
FISCAL YEAR	TOTAL
2013	\$ 4,916
2014	4,271
2015	3,698
2016	3,143
2017	2,750
2018 and thereafter	10,720
Total future minimum lease payments	\$ 29,498

CAPITAL LEASES	
FISCAL YEAR	FBF
2013	\$ 46
2014	45
2015	40
2016	33
2017	33
2018 and thereafter	116
Total future minimum lease payments	313
Less: Amounts representing-	
Interest	73
Executory Costs	2
Total obligations under capital leases	\$ 238

Substantially all leased space maintained by the FBF is sublet to other federal agencies at rent charges to recover GSA's cost of that space. The majority of agreements covering the sublease arrangements allow customer agencies to terminate the sublease at any time. In those cases GSA believes the subleases will continue without interruption. In some instances, agreements with customers may include short term or full lease term non-cancellation clauses. The following is a schedule of future minimum rentals due GSA under such non-cancellable agreements (dollars in millions):

OPERATING LEASE RENTALS		
FISCAL YEAR	Т	OTAL
2013	\$	801
2014		593
2015		532
2016		481
2017		447
2018 and thereafter		2,421
Total future minimum lease rentals	\$	5,275

For three of GSA's buildings, the rental agreements with the customer include transfer of ownership of the buildings at the end of the rental term. For these arrangements, classified as direct financing leases, GSA carried a balance in investments in capital leases of \$57 million, and a residual balance in deferred revenues of \$20 million as of September 30, 2012.

The remaining minimum rental payments due from these agreements are as follows (dollars in millions):

DIRECT FINANCING LEASE RENTALS		
FISCAL YEAR	T	OTAL
2013	\$	4
2014		4
2015		4
2016		4
2017		4
2018 and thereafter		37
Total future minimum lease rentals	\$	57

Rental income under subleasing agreements and related reimbursable arrangements for tenant improvements and above standard service requirements approximated \$6.8 billion and \$6.4 billion for the FYs ended September 30, 2012 and 2011, respectively. Rent expense under all operating leases, including short-term non-cancellable leases, was approximately \$5.7 billion and \$5.4 billion in FYs 2012 and 2011, respectively. The Consolidating Balance Sheets as of September 30, 2012 and 2011, include capital lease assets of \$524 million and \$363 million for buildings, respectively. Aggregate accumulated amortization on such structures totaled \$330 million and \$223 million in those years, respectively. For substantially all of its leased property, GSA expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

10. OTHER LIABILITIES

As of September 30, 2012 and 2011, the components of amounts reported on the Consolidating Balance Sheets as Other Intragovernmental Liabilities and Other Liabilities, are substantially all long-term in nature, with the exception of amounts shown below as Federal Benefit Withholdings, Salaries and Benefits Payable, and Deposits in Clearing Funds, which are current liabilities. Other Intragovernmental Liabilities and Other Liabilities consisted of the following (dollars in millions):

		FBF				AS	F		OTHER FUNDS			os	GSA CONSOLIDATED TOTALS			
	20)12	20	11	201	L2	20	11	2012	2	20	11	20:	12	20	11
Other Intragovernmental Liabilities:																
Workers' Compensation Due to DOL	\$	20	\$	20	\$	7	\$	7	\$	4	\$	4	\$	31	\$	31
Federal Benefit Withholdings		3		3		2		2		1		1		6		6
Deposits in Clearing Funds		-		-		-		-		15		13		15		13
Earnings Payable to Treasury		-		-		-		-		54		15		54		15
Deferred Revenues/Advances - Federal		95		23		5		10		11		-		111		33
Total Other Intragovernmental Liabilities	\$	118	\$	46	\$	14	\$	19	\$	85	\$	33	\$	217	\$	98

Other Liabilities:								
Salaries and Benefits Payable	\$ 12	\$ 13	\$ 7	\$ 8	\$ 6	\$ 4	\$ 25	\$ 25
Deferred Revenues/Advances from the Public	7	7	-	-	-	37	7	44
Contingencies	6	16	1	-	1	-	8	16
Pensions for Former Presidents	-	-	-	-	11	10	11	10
Total Other Liabilities	\$ 25	\$ 36	\$ 8	\$ 8	\$ 18	\$ 51	\$ 51	\$ 95

11. COMMITMENTS AND CONTINGENCIES

A. Commitments and Undelivered Orders

In addition to future lease commitments discussed in Note 9, GSA is committed under obligations for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities at September 30, 2012 and 2011, were as follows (dollars in millions):

	2012	2011
FBF	\$ 3,443	\$ 5,596
ASF	4,062	4,272
Other Funds	211	164
Total Undelivered Orders	\$ 7,716	\$ 10,032

In FY 2007, GSA awarded eight contracts for worldwide telecommunications and network services (Networx Universal and Networx Enterprise) to replace the previous FTS2001 contracts, and to provide voice, wireless, IP, satellite, and related telecommunications services for the federal community. These contracts are primarily funded through the ASF Integrated Technology Services portfolio. The contracts provide minimum revenue guarantees totaling \$575 million, of which \$12 million and \$90 million remained outstanding as of September 30, 2012 and 2011, respectively. Given the value of services GSA estimates it will procure over the 10 year life of these contracts, management considers the risk of not meeting the minimum revenue guarantees to be remote.

B. Contingencies

GSA is a party in various administrative proceedings, legal actions, environmental suits and claims brought by or against it. In the opinion of GSA management and legal counsel, the ultimate resolution of these proceedings, actions and claims will not materially affect the financial position or results of operations of GSA. Based on the nature of each claim, resources available to liquidate these liabilities may be from GSA funds or, in some instances, are covered by the U.S. Treasury's Judgment Fund, as discussed below.

 As of September 30, 2012 and 2011, GSA recorded liabilities in total of \$7 million and \$15 million, respectively, for pending and threat enedleg almatters for which, in the opinion of GSA management and legal counsel, GSA funds will probably incur losses.

In addition, GSA has contingencies ranging from \$17 million to \$63 million as of September 30, 2012, where it is reasonably possible, but not probable, that GSA funds will incur some cost. Accordingly, no balances have been recorded in the financial statements for these contingencies. At September 30, 2011, reasonably possible claims ranged from \$25 million to \$67 million.

In many cases, legal matters which directly involve GSA relate to contractual arrangements GSA has entered into either for property and services it has obtained or procured on behalf of other federal agencies. The costs of administering, litigating and resolving these actions are generally borne by GSA unless it can recover the cost from another federal agency. Certain legal matters in which GSA may be named party are administered and, in some instances, litigated by other federal agencies. Amounts to be paid under any decision, settlement or award pertaining thereto are sometimes funded by those agencies.

• In many cases, tort and environmental claims are administered and resolved by the U.S. Department of Justice (DOJ), and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the U.S. Treasury. In accordance with the FASAB's Interpretation No. 2, Accounting for Treasury Judgment Fund Transactions,

costs incurred by the federal government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, GSA reported \$103 million and \$101 million in FYs 2012 and 2011, respectively, of Environmental and Disposals and Other Liabilities for contingencies which will require funding exclusively through the Judgment Fund. Of those amounts, approximately \$102 million and \$100 million result from several environmental cases outstanding at the end of FYs 2012 and 2011, respectively, where GSA has been named as a potentially responsible party. Environmental costs are estimated in accordance with the FASAB Accounting and Auditing Policy Committee's Federal Financial Accounting and Auditing Technical Release No. 2, Determining Probable and Reasonably Estimable Environmental Liabilities in the Federal Government.

Additional contingencies subject to ultimate funding from the Judgment Fund where the risk of loss is reasonably possible, but not probable, ranged from \$206 million to \$290 million at September 30, 2012 and ranged from \$208 million to \$306 million at September 30, 2011.

The recognition of claims to be funded through the Judgment Fund on GSA Consolidating Statements of Net Cost and Consolidating Balance Sheets is, in effect, recognition of these liabilities against the federal government as a whole, and should not be interpreted as claims against the assets or resources of any GSA fund, nor will any future resources of GSA be required to liquidate any resulting losses. Further, for most environmental claims, GSA has no managerial responsibility other than as custodian and successor on claims made against former federal entities, particularly former World War II defense related activities.

Amounts paid from the Judgment Fund on behalf of GSA were \$29 million and \$51 million in FYs 2012 and 2011, respectively. Of these amounts, \$19 million and \$45 million, respectively, related to claims filed under the Contract Disputes Act for which payments have been or will be made to reimburse the Judgment Fund by the GSA funds

liable under the contracts in dispute. The balance of claims paid on behalf of GSA does not require reimbursement to the Judgment Fund.

12. UNFUNDED LIABILITIES

As of September 30, 2012 and 2011, budgetary resources were not yet available to fund certain liabilities reported on the Consolidating Balance Sheets. For such liabilities, most are long-term in nature where funding is generally made available in the year payments are due or anticipated. The portion of liabilities reported on the Consolidating Balance Sheets that are not covered by budgetary resources consists of the following (dollars in millions):

	2012	2011
Judgment Fund Liability	\$ 424	\$ 405
Intragovernmental Debt	-	2
Other Intragovernmental Liabilities	100	59
Capital Lease and Installment Purchase Liability	353	368
Workers' Compensation Actuarial Liabilities	133	132
Environmental and Disposal	221	212
Annual Leave Liability	110	112
Other Liabilities	19	26
Total Liabilities Not Covered By Budgetary Resources	\$ 1,360	\$ 1,316

Certain balances, while also unfunded by definition (as no budgetary resources have been applied), will be liquidated from resources outside of the traditional budgeting process and require no further congressional action to do so. Such balances include: 1) amounts reported in the Consolidating Balance Sheets under the captions Unamortized Rent Abatement Liability and Deposit Fund Liability; 2) the portion of amounts included in Other Intragovernmental Liabilities shown as Deposits Held in Suspense and Earnings Payable to Treasury in Note 10; and 3) substantially all amounts included in Other Liabilities shown as Deferred Revenues/Advances From the Public in Note 10.

13. RECONCILIATION TO THE PRESIDENT'S BUDGET

In accordance with FASAB SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, if there are differences between amounts reported in these financial statements versus those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. With the President's Budget generally released in February each year, the most current comparable data is the FY 2013 President's Budget, which contains FY 2011 financial statement results. The FY 2014 President's Budget, containing FY 2012 actual results is expected to be released in February 2013 on OMB's Web site. The portion of the President's Budget relating specifically to GSA can be found in the appendix of that report. Balances submitted to the U.S. Treasury constitute the basis for reporting of actual results in the President's Budget. The basis of the President's Budget and the CSBR is data reported to the U.S. Treasury on the Reports on Budget Execution and Budgetary Resources (SF 133s). Reconciling differences are caused by the presentation style of the President's Budget, which excludes Budgetary Resources, Obligations Incurred and Unobligated Balances in expired annual funds, as well as offsetting collections, which are required for reporting on the CSBR. Small rounding differences can exist between the CSBR and the President's Budget due to an alternative rounding methodology used by

The following two schedules highlight the most significant comparable amounts reported in the FY 2011 CSBR and FY 2013 President's Budget (dollars in millions). The first schedule shows the total differences where the CSBR contains balances greater or (less) than amounts reported in the President's Budget by fund. Following this is a second schedule displaying the components of each difference at the combined level.

	ı	BF		ASF	ОТНЕ	ER FUNDS		TOTAL GSA	
	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	DIFFERENCE
Budgetary Resources	\$ 18,928	\$ 18,928	\$13,145	\$ 13,145	\$ 1,015	\$ 988	\$ 33,088	\$ 33,061	\$ 27
Obligations Incurred	11,443	11,444	11,363	11,363	782	780	23,588	23,587	1
Unobligated Balances	7,485	7,484	1,782	1,782	233	208	9,500	9,474	26
Balance of Obligations	1,995	1,996	(558)	(558)	193	191	1,630	1,629	1
Outlays	1,708	1,708	(69)	(69)	251	292	1,890	1,931	(41)

	OGETARY SOURCES	LIGATIONS ICURRED	BLIGATED ALANCE	 LIGATED ALANCE	OI	NET JTLAYS
Combined Statement of Budgetary Resources	\$ 33,088	\$ 23,588	\$ 9,500	\$ 1,630	\$	1,890
Expired Funds, Not Reflected in the Budget	(26)	(2)	(24)	-		-
Offsetting Receipts Not Reflected in the Budget	-	-	-	-		42
Rounding	(1)	1	(2)	(1)		(1)
Budget of the U.S. Government	\$ 33,061	\$ 23,587	\$ 9,474	\$ 1,629	\$	1,931

14. COMBINING STATEMENTS OF BUDGETARY RESOURCES

The Consolidated Statement of Budgetary Resources (CSBR) presents GSA budgetary results in accordance with reporting requirements prescribed in OMB Circular A-11, Preparation, Submission, and Execution of the Budget. In FY 2012, changes to the presentation were made in accordance with guidance provided in OMB Circular A-136. Comparative FY 2011 balances were reclassified to conform to the presentation in the current year, displaying budgetary resources available for spending, the status of budgetary resources, the change in obligated balances and the net budget authority and outlays of GSA. In consolidated reporting by OMB and the U.S. Treasury, for the U.S. government as a whole, substantially all of GSA's program operations and operating results are categorized as general government functions.

Balances reported on the CSBR as Prior Year Recoveries generally reflect the downward adjustment of obligations that originated in prior fiscal years which have been cancelled or reduced in the current fiscal year. These balances may also include the effect of adjustments caused when an obligation is modified to change the applicable program, or budget activity. In managing and controlling spending in GSA funds on a fund-byfund basis, unique budget control levels (such as programs, budget activities or projects) are established. These levels are based on legislative limitations, OMB apportionment limitations, as well as management-defined allotment control limitations, in order to track and monitor amounts available for spending and obligations incurred against such amounts, as is required under the Antideficiency Act. When an obligation from a prior year is modified to change the budget control level of an obligation, a Prior Year Recovery would be credited to the level that was initially charged, and Obligations Incurred would be charged to the new level. While there may be no net change to total obligations in a particular fund, offsetting balances from the upward and downward adjustments would be reported on the corresponding lines of the CSBR.

15. CONSOLIDATING STATEMENTS OF CHANGES IN NET POSITION

A. Cumulative Results of Operations

Cumulative results of operations for Revolving Funds include the net cost of operations since their inception, reduced by funds returned to the U.S. Treasury, by congressional rescissions, and by transfers to other federal agencies, in addition to balances representing invested capital. Invested capital includes amounts provided to fund certain GSA assets, principally land, buildings, construction in process, and equipment, as well as appropriated capital provided as the corpus of a fund (generally to meet operating working capital needs).

The FBF, ASF, WCF and FCSF have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the ASF, such cumulative results are retained to cover the cost of replacing the motor vehicle fleet and supply inventory as well as to provide financing for major systems acquisitions and improvements, contract conversion costs, major contingencies, and to maintain sufficient working capital. The WCF retains cumulative results to finance future systems improvements and certain operations. The FCSF retains cumulative results to finance future operations, subject to appropriation by Congress.

Cumulative Results of Operations on the Consolidating Balance Sheets include immaterial balances of earmarked funds as defined in FASAB SFFAS No. 27, which totaled \$155 million and \$135 million as of September 30, 2012 and 2011, respectively. As further discussed in Notes 1 and 2, earmarked balances are those reported in GSA Special Funds, within the Other Funds display on the Consolidating Balance Sheets.

B. Unexpended Appropriations

Unexpended Appropriations consist of unobligated balances and undelivered orders, net of unfilled customer orders in funds that receive appropriations. Undelivered orders are orders placed by GSA with vendors for goods and services that have not been received. Unfilled customer orders are reimbursable orders placed with GSA by other agencies, other GSA funds, or from the public, where GSA has yet to provide the good or service requested. At September 30, 2012 and 2011, balances reported as unexpended appropriations were as follows (dollars in millions):

	FE	3F	OTHER FUNDS			TAL SA
2012						
Unobligated Balances:						
Available	\$	41	\$	31	\$	72
Unavailable		33		14		47
Undelivered Orders	1,	131		52	1,	183
Unfilled Customer Orders		-		(2)		(2)
Total Unexpended Appropriations	\$1,	205	\$	95	\$1,	300

2011			
Unobligated Balances:			
Available	\$ 51	\$ 24	\$ 75
Unavailable	-	20	20
Undelivered Orders	2,688	53	2,741
Unfilled Customer Orders	-	(2)	(2)
Total Unexpended Appropriations	\$2,739	\$ 95	\$2,834

16. EMPLOYEE BENEFIT PLANS

A. Background

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and makes the necessary payroll withholdings, GSA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of OPM. Reporting of health care benefits for retired employees is also the direct responsibility of OPM.

In accordance with FASAB SFFAS No. 5, GSA recognizes the normal cost of pension programs and the normal cost of other post-employment health and life insurance benefits, as defined in that standard, on the Consolidating Statements of Net Cost. While contributions submitted by GSA to OPM do cover a significant portion of the normal cost of retirement benefits, the contribution rates defined in law do not cover the full normal cost of those retirement benefits. To achieve the recognition of the full normal cost required by SFFAS No. 5, GSA records the combination of funded cost for the amount of agency contributions, and imputed cost for the portion of normal costs not covered by contributions. Amounts recognized as normal cost related to contributions, as well as imputed costs are further provided below.

B. Civil Service Retirement System

At the end of FY 2012, 14.2 percent (down from 17.2 percent in FY 2011) of GSA employees were covered by the CSRS, a defined benefit plan. Total GSA (employer) contributions (7.5 percent of base pay for law enforcement employees, and 7.0 percent for all others) to CSRS for all employees totaled \$14 million and \$16 million in FYs 2012 and 2011, respectively.

C. Federal Employees Retirement System

On January 1, 1987, the FERS, a mixed system of defined benefit and defined contribution plans, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired before January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2012, 85.5 percent (up from 82.3 percent in FY 2011) of GSA employees were covered under FERS. One of the primary differences between FERS and CSRS is that FERS offers automatic and matching contributions into the federal government's Thrift Savings Plan (TSP) for each employee. All employees could invest up to \$17,000 and \$16,500 in their TSP account in calendar years 2012 and 2011, respectively. In addition, for FERS employees, GSA automatically contributes one percent of base pay and matches employee contributions up to an additional four percent of base pay. For calendar years 2012 and 2011, total contributions made on behalf of an employee could not exceed \$50,000 and

\$49,000, respectively. During FYs 2012 and 2011, GSA (employer) contributions to FERS (26.3 percent of base pay for law enforcement employees and 11.9 percent for all others) totaled \$114 million and \$108 million, respectively. Additional GSA contributions to the TSP totaled \$42 million and \$41 million in FYs 2012 and 2011, respectively.

D. Social Security System

GSA also makes matching contributions for programs of the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, GSA contributed 6.2 percent of gross pay (up to \$110,100 and \$106,800 in calendar years 2012 and 2011, respectively) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2012. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2012. In FYs 2012 and 2011, 0.3 percent and 0.5 percent, respectively, of GSA employees are covered exclusively by these programs. Payments to these programs in FYs 2012 and 2011, amounted to \$75 million and \$74 million, respectively.

E. Schedule of Unfunded Benefit Costs

Amounts recorded in FYs 2012 and 2011, in accordance with FASAB SFFAS No. 5, for imputed post-employment benefits were as follows (dollars in millions):

	SION EFITS	HEALT INSUR	TOTAL		
2012					
FBF	\$ 13	\$	19	\$	32
ASF	17		33		50
Other Funds	9		11		20
Total Unfunded Benefit Costs	\$ 39	\$	63	\$	102

2011			
FBF	\$ 22	\$ 38	\$ 60
ASF	17	21	38
Other Funds	11	12	23
Total Unfunded Benefit Costs	\$ 50	\$ 71	\$ 121

17. RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET

The recognition of earning reimbursable budgetary resources and spending budgetary resources on the CSBR generally has a direct or causal relationship to revenues and expenses recognized on the Consolidating Statements of Net Cost. The reconciliation schedules below bridge the gap between these sources and uses of budgetary resources with the operating results reported on the Consolidating Statements of Net Cost for the fiscal years ending on September 30, 2012 and 2011 (dollars in millions):

chang on September 30	, 2012 απ	u 2011 (uc		11110113).			LES	:c.	l GS	:A	
	FE	RE	AS	E	OTHER	FLINDS	INTRA ELIMINA	-GSA	CONSOL	IDATED	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	
RESOURCES USED TO FINA	NCE ACTIVI	ITIES									
Obligations Incurred	\$ 10,985	\$ 11,443	\$10,912	\$11,363	\$ 796	\$ 782	\$ -	\$ -	\$ 22,693	\$ 23,588	
Less: Spending Authority From Offsetting Collections and Adjustments	(11,576)	(12,056)	(11,030)	(11,395)	(531)	(522)	-	-	(23,137)	(23,973)	
Financing Imputed for Cost Subsidies	56	85	44	58	23	30	15	47	108	126	
Other	3	(61)	7	(12)	205	48	-	-	215	(25)	
Total Resources Used to Finance Activities	(532)	(589)	(67)	14	493	338	15	47	(121)	(284)	
RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS											
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	2,153	1,636	210	(515)	(47)	21	-	-	2,316	1,142	
Increase/(Decrease) in Unfilled Customer Orders	(285)	738	(204)	407	36	(2)	-	-	(453)	1,143	
Costs Capitalized on the Balance Sheet	(3,062)	(3,328)	(759)	(838)	(38)	(14)	-	-	(3,859)	(4,180)	
Financing Sources Funding Prior Year Costs	(185)	(33)	2	5	(11)	(5)	-	-	(194)	(33)	
Other	78	27	(2)	(2)	(194)	(45)	-	_	(118)	(20)	
Total Resources Used That Are Not Part of the Net Cost of Operations	(1,301)	(960)	(753)	(943)	(254)	(45)	-	-	(2,308)	(1,948)	
COSTS FINANCED BY RESO	URCES REC	EIVED IN P	RIOR PERIC	DDS							
Depreciation and Amortization	1,367	1,272	495	494	19	19	-	-	1,881	1,785	
Net Book Value of Property Sold	3	71	250	277	-	2	-	-	253	350	
Other	91	9	-	1	-	-	-		91	10	
Total Costs Financed by Resources Received in Prior Periods	1,461	1,352	745	772	19	21	-	-	2,225	2,145	
COSTS REQUIRING RESOUR	RCES IN FUT	URE PERIC	DDS								
Unfunded Capitalized Costs	59	57	-	-	-	-	-	-	59	57	
Unfunded Current Expenses	3	(1)	1	-	5	(2)	-	-	9	(3)	
Total Costs Requiring Resources in Future Periods	62	56	1	-	5	(2)		-	68	54	
Net (Revenues From) Cost of Operations	\$ (310)	\$ (141)	\$ (74)	\$ (157)	\$ 263	\$ 312	\$ 15	\$ 47	\$ (136)	\$ (33)	

18. AMERICAN RECOVERY AND REINVESTMENT ACT

The American Recovery and Reinvestment Act (Recovery Act) of 2009 provided significant additional resources to GSA in FY 2009. Primarily, these resources came from direct appropriations provided in the Recovery Act, as well as an increased volume of reimbursable agreements, as GSA programs provide procurement assistance to other organizations and agencies to help them expedite implementation of their Recovery Act responsibilities. While the execution of most activities follows standard federal accounting treatment, some of the activities required in the Recovery Act are unique. The GSA Recovery Act program to procure and distribute energy efficient motor vehicles to federal agencies involved procurement of new vehicles in exchange for an agency's old or less efficient vehicles. GSA acquisitions of new vehicles are initially classified as Other Assets on the Consolidating Balance Sheets, and then are recognized as being transferred to the designated agencies when the exchange of vehicles occurs. The transfers-out are reflected on the Consolidating Statements of Net Position. When GSA sold the old vehicles, proceeds were retained as a reimbursement to the applicable fund, providing resources that were used for additional vehicles. During FY 2011 GSA completed all activities related to the vehicle procurement program. The following table displays the activity of this program over its 3-year life (dollars in millions):

ARRA VEHICLES				
	2009	2010	2011	TOTAL
Purchases of New Vehicles	\$ 268	\$ 75	\$ -	\$ 343
Transfers to Participating Agencies	160	178	5	343

19. SUBSEQUENT EVENTS

Hurricane Sandy hit the east coast of the United States at the end of October 2012, causing significant flooding and damage to the northeast regions. GSA is still in the process of evaluating the impact of this storm and is unable to quantify damages at this time. While an estimate has not been determined, costs associated with cleanup and potential repairs for property damages are not expected to have a material impact on the financial statements of GSA funds.